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CALIFORNIA RESTAURANT OPERATIONS 1985

Laventhol & Horwath
Certified Public Accountants

1985 Edition

10TH ANNUAL REPORT ON RESTAURANT OPERATIONS IN CALIFORNIA

CALIFORNIA RESTAURANT OPERATIONS

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COMMENTS FROM AROUND THE STATE

From Los Angeles

Despite a decline during the Summer Olympic Games, customer counts in Los Angeles area restaurants increased slightly in 1984 compared with 1983 levels. During July and August, vast numbers of people visited the Olympic venues; however, they stayed within the Game sites and did not frequent area restaurants. The Games kept many tourists from coming to Southern California, and many local residents took vacations elsewhere to avoid the expected crowds and traffic jams.

Moderate expansion took place during 1984. The majority of the facilities that have been expanded tend to be managed by regional operators, whose concepts have found a niche in the Los Angeles market, including:

- Japanese sushi (fast food and sit down)
- Regional hamburger chains
- Spicy and flame-broiled chicken
- Gourmet hamburger chains
- Italian-style gourmet deli/pasta shops

Healthy, fresh foods, seafood and ground beef are popular trends in southern California. Another trend to hit the market is Cajun-style cooking, brought to California by chefs from Louisiana. Cajun cuisine is rich and spicy and incorporates aspects of existing creole cuisine.

Restaurateurs have noticed a change in customers' eating habits. It is not uncommon for customers to order several appetizers in lieu of an entree. This change is referred to as grazing. Despite customers' desires for healthy foods, desserts are a hot item. By grazing on appetizers and lighter foods, the customer can enjoy a delectable dessert. As a result, there will be a continued increase in restaurant pastry chefs and gourmet ice cream/dessert shops.

Janet Lowder
Los Angeles

From San Diego

Restaurateurs throughout San Diego enjoyed much success in 1984. Continued growth in population and income helped spur new restaurant activity. Marketing efforts directed toward local patrons have resulted in a restaurant industry less dependent on tourism. This trend should become more pronounced in the next few years with the anticipated growth in commercial and residential development, particularly in downtown, Mission Valley, University City and North County areas.

Dining trends in the San Diego area indicate that specialty and theme restaurants have captivated the most customers. Attractive sushi bars and stylish champagne and oyster bars have emerged in communities such as La Jolla, Pacific Beach and Mission Valley, and their popularity is expected to increase.

Increased occupation costs in Southern California have made it necessary for restaurant owners to further examine ways of maximizing revenues. Local restaurants are experimenting with early bird specials and late night supper menus. Additionally, several downtown establishments have introduced delivery service to expand on peak lunch hour demand.

As a result of the technological advances and increased competition in restaurant point-of-sale systems and computer software markets in 1984, the San Diego restaurant owner has benefited from more affordable, higher quality products.

The San Diego restaurant industry can expect modest increases in customer counts in 1985, paralleling the projected growth in population, income, commercial development and tourism.

Michelle D. La Motte
Lewis A. Weinger
San Diego

From San Francisco

San Francisco's restaurateurs experienced another healthy year in 1984. Sales increased slightly over strong 1983 levels, and the number of new eating establishments increased 3 percent during the first half of 1984, to a total of 3,063. The majority of these new establishments hold wine and beer permits, an indication of the continuing decline in distilled liquor sales.

Earlier expectations regarding the effects of the Democratic Convention, Super Bowl and "spillover" from the Olympic Games in Los Angeles did not materialize. Additional sales generated by these events were, in most cases, offset by a decline in pre- and post-event tourism and a lag in the resident trade during the events.

The San Francisco market is dominated by the 25 to 45 age group. Characterized as young professionals, highly mobile and well educated, this age group tends to eat out often. The sophisticated and discriminating nature of this market segment has imposed certain obligations upon restaurateurs. Menu creativity and an interesting, entertaining decor, is needed to capture the eye.

The trend toward healthy, fresh food is as strong as ever. Pasta, seafood, baked goods and salad top the list. Red meat is on the decline and new styles and cooking methods are in vogue. Cajun food has made a noticeable presence this year as has mesquite grilled anything.

The more popular new restaurants this year are featuring the neo deco look and some the open kitchen concept, where patrons can look on as their dinner is prepared. Their menus flaunt creativity, often California trendy, and change monthly, if not daily. Frequented by the "Yuppie" crowd, success was almost instantaneous for the majority.

Oddly enough, in this diet conscious age we have seen a great demand for high calorie excesses. Cookie shops, patisseries, chocolatiers and specialty dessert shops are springing up around the city. Restaurateurs have responded to this demand with large selections of creative desserts and on-premise bake shops.

Fast-food chains continue to find the Bay Area difficult to penetrate. High operating costs, along with high level consumer sophistication, have limited participants to upscale gourmet hamburger shops and soup and salad type restaurants.

The future looks as promising as ever for San Francisco restaurant owners. The growing population within the major market segment and the strong trend toward eating out will continue to support the variety of restaurants in the area.

Ken Geist
San Francisco

UNDERSTANDING MEDIANS

Throughout the year the Research & Development Division at Laventhol & Horwath received many phone calls requesting explanations about information contained in this study. "What is a median?" and "Why don't these amounts add to the total?" are probably the two most asked questions. This section will shed some light on these confusing issues.

A median is defined as the middle value of all amounts calculated for a specific line item. For example, if we received nine responses for number of full time employees—8,4,2,6,9,7,5,1,3; these numbers would be arranged sequentially—1,2,3,4,5,6,7,8,9 and the middle value "5" would be the median since 50 percent of the responses received are below the value and 50 percent are above.

The responses are also broken into quartiles, or four equal parts, with the median still being the middle value. The *lower quartile* is the value that separates the lowest 25 percent of the responses from the rest of the sample when arranged sequentially, while the *upper quartile* defines the boundaries of the upper 25 percent of the responses from the lower 75 percent. Stated another way, 50 percent of all responses fall between the lower and upper quartiles. For example, if we receive 99 responses for a specific item and the responses (conveniently) were numbered 1 through 99, the median (or middle value) would be 50, the lower quartile would be 25 (25 percent of the responses would be below 25), and the upper quartile would be 75 (25 percent of the responses would be above 75). Fifty percent (or half) of the responses would fall between the lower and upper quartiles. (See chart below.)

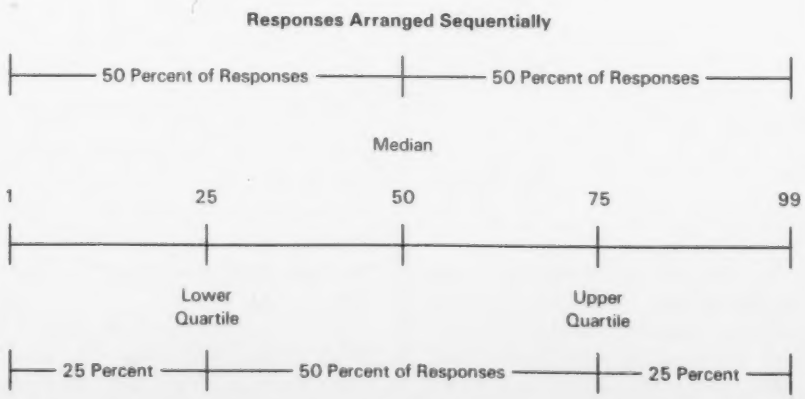
"Why don't the amounts add to the totals?" The most important thing to remember is that *each line item is analyzed separately!* In the accompanying table (page 5) when all amounts are arranged sequentially, the median net income amount per seat for total sales is $4,599. This figure is based on the 431 restaurants* that gave us information for this specific line item. The median net income (profit) amounts per seat for total food and beverage sales were $3,700 and $1,112 respectively. These two amounts were analyzed on a sample of 400 restaurants that gave us separate food sales and beverage sales figures (31 restaurants provided us with only the total for food and beverage sales, not separate food and beverage sales figures). Different sample sizes is one reason why figures do not add to the totals shown.

There is another major reason that columns do not total. When using medians, it is important to remember that the median food sales, the median beverage sales and the median total sales figures reported probably represent the results for three separate restaurants. This also holds true for lower and upper quartile figures.

One more fact to remember when comparing a restaurant with those reported in this study is that it is not constructive to compare a whole column to your restaurant's results (the median column, for example). If your restaurant has roughly the same total sales as the median reported it may not be correct to follow through using median amounts for costs and expenses. Since each line is analyzed separately, one property may be close to the median in sales, but may have much higher or lower costs and expenses. There are certain factors such as type of restaurant, menu theme and region that may predetermine the costs and expenses and will automatically make a figure higher or lower than the median.

The proper way to compare a restaurant's results with those reported in this study is to first complete the worksheet provided in the back of this study. Then compare industry figures to your figures, line by line. Large variances may identify an area in an operation that requires closer analysis.

**The number used for sample sizes are representative and are not actual sample sizes.*



UNDERSTANDING MEDIANS
(continued)

Net Income Differential

	Amount Per Seat			Ratio To Total Sales		
	Net Profit			Net Profit		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales						
Food	$2,196	$3,700	$5,442	69.6%	76.2%	85.3%
Beverage	527	1,112	1,747	16.5	24.3	30.8
Total Sales	2,863	4,599	7,030	100.0	100.0	100.0
Cost of Sales						
Food	786	1,469	2,258	33.9	39.2	42.9
Beverage	146	276	479	21.8	26.5	32.1
Total Cost of Sales	982	1,741	2,686	31.8	35.6	39.6
Gross Profit	1,877	2,920	4,460	60.0	64.2	67.9
Other Income	11	31	82	0.3	0.7	1.7
Total Income	1,953	2,957	4,517	61.2	64.7	69.3
Controllable Expenses						
Payroll	741	1,151	1,802	21.1	25.8	29.5
Employee Benefits	38	113	245	1.0	2.6	4.2
Direct Operating Expenses	125	257	430	3.7	5.4	7.0
Music & Entertainment	6	16	68	0.1	0.4	1.6
Advertising & Promotion	40	86	150	1.0	1.8	3.1
Utilities	96	145	202	2.3	3.0	4.0
Administrative & General	65	142	310	1.7	3.6	5.9
Repairs & Maintenance	43	73	136	1.1	1.7	2.4
Total Controllable Expenses	1,275	2,186	3,175	40.2	45.7	49.9
Income Before Occupation Costs	$ 548	$ 869	$1,393	14.1%	19.5%	24.3%

THE CALIFORNIA RESTAURANT INDUSTRY—1985

by Elizabeth Ann Rifkin and Jamie B. Mandell
Research and Development Division

Introduction

This tenth edition of Laventhol and Horwath's *California Restaurant Operations* is based on data supplied by 181 properties, approximately 75 percent more than 1983. With the continued support of California restaurateurs, every effort is made by Laventhol & Horwath to produce a report that is responsive to their concerns and serves as a valuable management tool.

The restaurants participating in this study represent a broad cross section of foodservice establishments in California. In most cases, comparisons can be made with *California Restaurant Operations 1984*. However, there are some additions to this report that cannot be compared with past reports. A few of the breakdown categories have been changed to better reflect this year's sample. Also, the menu theme category was expanded to five breakdowns over last year's three. Hopefully, this will enable operators to more effectively compare their results with our figures.

Other significant additions to this year's report are the use of graphs and the comparison of total U.S. restaurant figures with those of California. The graphs provide a view of sales versus cost of sales for selected criteria; these are explained in further detail on page 16. The total U.S. restaurant figures are derived from the total sample of respondants to *Restaurant Industry Operations Report* '85. This comparison is solely designed to allow California operators to compare operating ratios with their peers around the nation.

Bases of analysis

The figures in this report are based on operating results of restaurants whose fiscal year ended during 1984. Where noteworthy, reference is made to previous reports to enable year-to-year comparisons.

The most common measurements in the foodservice industry are amounts per seat and percentages of total sales. These indices, as well as various productivity statistics, are used extensively throughout the analysis. The figures listed as ratios to total sales are based on total food and beverage sales, with the exception of food and beverage costs, which are given as ratios to their respective sales in order to be more useful to restaurant operators. As in past reports, each line is analyzed separately. Medians and quartiles are provided where appropriate; they are based on the information submitted for that line item only, since each of the participating restaurants did not report data for every line item.

Most of the figures in this report are medians, with the exception of Chart 1, which is computed using weighted averages. A median is defined as the middle value of all numbers when arranged sequentially from low to high or vice versa. The use of medians, as opposed to means, is preferred to avoid the skewed results that occur when numbers in a particular data set are either very high or low. For a thorough explanation of medians and quartiles, please refer to "Understanding Medians" on page 4.

The figures in this report are intended to be used as guidelines, not standards or goals. They are not an attempt by Laventhol & Horwath to set or conform prices or operating ratios for the industry.

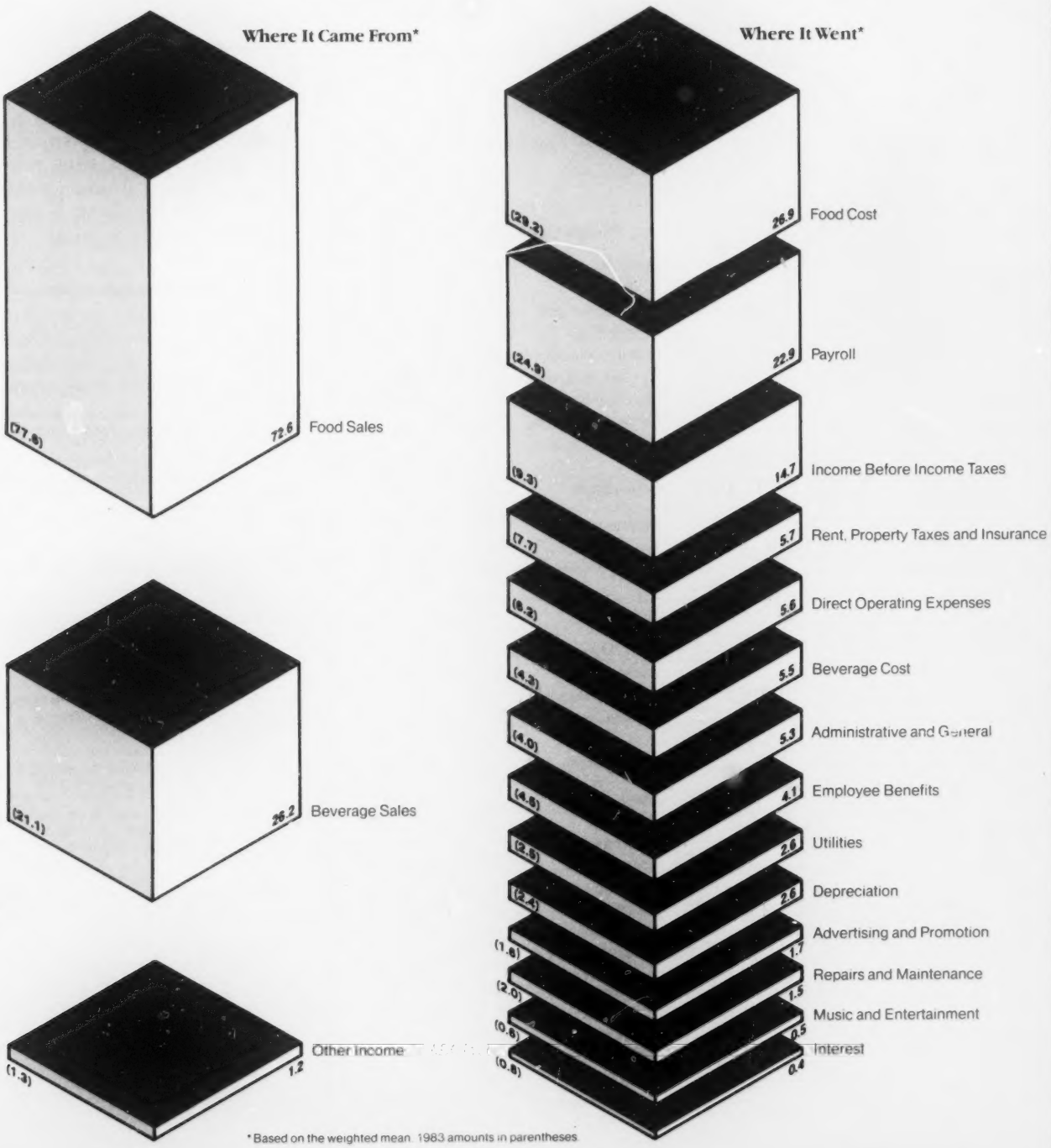
The California restaurant industry dollar

Chart 1 shows the absolute value of both the sources and distribution of the California foodservice dollar for 1984. For the fourth consecutive year, food sales have declined as a percentage of total sales with beverage sales climbing. Food sales contributed only 73 cents of the revenue dollar for 1984 compared to approximately 78 cents of every dollar in 1983. Beverage sales rose to 26 cents for each revenue dollar, a 24 percent increase over 1983. This increase is because many specialty restaurants are open for lunch and dinner only, and cater to after-work or 'big bar' patrons as well as the traditional meals-away-from-home patrons.

In accordance with the drop in food sales per revenue dollar, food costs declined. It is important to note that food costs fell 7.9 percent from the previous year, while food sales per revenue dollar only decreased 6.4 percent. Many expenses were less in 1984 than in 1983, which contributed to the 58.1 percent increase in income before income taxes from 9.3 percent to 14.7 percent.

Chart 1

The California Restaurant Industry Dollar



*Based on the weighted mean. 1983 amounts in parentheses.

Exhibit 1
Composition of Participating Food and Beverage Restaurants

Years in Business:	Percentage of Respondents
Under 5 Years	27.8%
5 to 10 Years	27.0
Over 10 Years	45.2
Type of Restaurant:	
Full Menu—Tableservice	75.2%
Limited Menu—No Tableservice	13.9
All Others	10.9
Location:	
Urban	55.3%
Suburban	42.0
Rural	2.7
Affiliation:	
Single Unit—Independent	23.2%
Multi-Unit—Company Operated	8.8
Multi-Unit—Franchisee Operated	68.0
Meals Served:	
Breakfast and Lunch Only	1.0%
Lunch and Dinner Only	70.2
Dinner Only	5.0
All Meals	23.8
Sales Volume:	
Under $1 Million	28.2%
$1 Million–2 Million	46.4
Over $2 Million	25.4

Profit Versus Loss:	Percentage of Respondents
Net Profit	65.2%
Net Loss	9.4
Not Specified	25.4
Separate/Detached Building:	
Yes	68.5%
No	31.5
Lease Versus Own:	
Own Land and Building	9.4%
Lease Land and Building	68.0
Lease Land and Own Building	0.0
Own Land and Lease Building	10.0
Not Specified	12.6
Competition:	
Intense	49.7%
Average	44.2
Mild	6.1
Ownership:	
Sole Proprietorship	6.7%
Partnership	2.2
Public Corporation	26.7
Private Corporation	64.4
Menu Theme:	
Steak/Seafood	34.5%
American	6.1
Continental*	4.4
Italian/Pizza	15.5
Mexican	17.1
All Others**	22.4
Beverages Served	
Full Liquor Service	63.3%
Wine and/or Beer only	20.6
No alcoholic beverages	16.1

*Includes French and German.
**Includes chicken, Oriental, salad bars, specialty sandwiches, hamburgers and regional.

Profile of participants

Exhibit 1 provides the composition of the restaurants in this year's sample. The majority of respondents this year operate full menu/tableservice restaurants which serve lunch and dinner only and have full liquor service. Restaurants in California generally are owned by private corporations and realized a net profit for the end of their fiscal year.

Highlights and characteristics of the entire sample, compiled using various measures of central tendency (median, mean or mode), are shown below to provide an overview of the results.

Characteristics

- Full menu-tableservice restaurant more than 10 years old.
- Median sales volume of all respondents was $1.4 million.
- The average size of each participating restaurant was 6,890 square feet, almost 36 percent of which was dining area.
- The median number of seats per restaurant operation in this year's survey was 200 ranging from 8 to 2,030
- The typical operation earned a profit and offered full liquor service to its patrons.
- Participants in this year's survey were typically company owned and operated and part of a private corporation.

Average check

This year, the average check exhibit has been expanded to include quartiles as well as the median amount for a specific group of restaurants. Half of the respondents for each grouping fall between the lower and upper quartiles. For example, the median average check for California restaurants for 1984 was $9.72, with 50 percent of the sample having average checks between $6.76 and $15.02. In comparison, total U.S. properties had a median average check of $7.50, over $2 less than the California average check.

It is also important to point out that this year's median check of $9.72 is considerably less than last year's median check of $11.93. This is probably more the result of a different composition of restaurant types than a major decline in menu prices.

Restaurants serving dinner only had the highest median average check of $19.41, and restaurants with a steak/seafood menu theme generally had the highest median check of $14.54.

Highlights

- Median food sales per seat were $5,229, while beverage sales were $1,707 per seat in 1984
- Median food and beverage cost per seat were $1,967 and $349 respectively.
- Restaurant profit was $691 per seat or 11.0 percent of total sales.
- Half of all restaurants in this survey reported an average check between $6.76 and $15.02, while the median was $9.72.
- Seat turnover was 1.72 and productivity index was 3.49 during 1984.

Exhibit 2
Food and Beverage Average Check

	Lower Quartile	Median	Upper Quartile
All Calif. Restaurants	$6.76	$ 9.72	$15.02
Total U.S.*	$4.27	$ 7.50	$12.67
Age			
Under 5 Years	$4.90	$9.18	$10.19
5 to 10 years	7.78	9.72	16.59
Over 10 Years	6.16	10.27	15.84
Location			
Urban	$7.52	$9.82	$15.19
Suburban	6.10	8.51	14.96
Rural	**	**	**
Meals Served			
Breakfast & Lunch Only	**	**	**
Lunch & Dinner Only	$7.43	$9.37	$14.54
Dinner Only	16.88	19.41	19.91
All Meals	5.19	7.72	15.04
Menu Theme			
Steak/Seafood	$8.63	$14.54	$16.53
American	4.78	11.55	16.62
Continental	6.44	9.53	22.86
Italian/Pizza	5.40	8.07	12.90
Mexican	8.43	9.34	16.77
Beverages Served			
Full Liquor Service	$8.98	$11.08	$16.40
Wine and/or Beer Only	5.96	6.34	7.91
No Alcoholic Beverages	3.24	4.09	6.00
Profit Versus Loss			
Net Profit	$5.98	$ 9.99	$15.08
Net Loss	5.86	8.07	10.00
Type of Restaurant			
Full Menu—Tableservice	$8.60	$10.07	$16.03
Limited Menu—No Tableservice	3.23	3.63	4.48
All others	5.96	6.34	13.64

*Based on figures from the 1985 National Restaurant Study. Figures represent total for Food-only and Food & Beverage Restaurants.
**Not available.

Exhibit 3
Food and Beverage
Average Daily Seat Turnover

	Lower Quartile	Median	Upper Quartile
All Calif. Restaurants	1.16	1.72	3.16
Total U.S.	.82	1.52	3.31
Age			
Under 5 Years	1.06	1.72	6.32
5 to 10 Years	1.04	1.57	3.13
Over 10 Years	1.27	2.08	3.10
Location			
Urban	1.04	1.57	2.99
Suburban	1.34	2.11	3.73
Rural	**	**	**
Meals Served			
Breakfast & Lunch Only	**	**	**
Lunch & Dinner Only	1.16	1.57	3.06
Dinner Only	0.82	1.22	1.53
All Meals	1.27	2.21	5.41
Menu Theme			
Steak/Seafood	1.04	1.53	3.02
American	**	3.14	**
Continental	**	1.03	**
Italian/Pizza	1.29	2.39	6.49
Mexican	1.31	1.94	2.63
Profit Versus Loss			
Net Profit	1.12	1.70	3.67
Net Loss	1.03	1.42	3.10
Type of Restaurant			
Full Menu—Tableservice	1.03	1.47	2.21
Limited Menu—No Tableservice	7.98	9.76	12.65
All others	2.24	2.95	3.76
Beverages Served			
Full Liquor Service	1.06	1.47	2.21
Wine and/or Beer Only	1.57	2.95	4.28
No Alcoholic Beverages	4.90	8.26	12.03

**Insufficient number of restaurants reporting data.

Daily seat turnover

Average daily seat turnover is shown in Exhibit 3. This is the first year that this chart has been used in the *California Restaurant Study*. It is included because the increase in sample size enabled Laventhol & Horwath to report on this important measure of operating efficiency. For comparitive purposes, a total line is presented for California restaurants as well as all U.S. restaurants.

California restaurants had a daily average turnover of 1.72, slightly higher when compared with the total U.S. of 1.52. Limited menu/no tableservice establishments tended to have the highest seat turnover with 50 percent of them between 7.98 and 12.65 daily, with a median of 9.76. Conversely, dinner-only restaurants and those having a continental menu theme had the lowest medians with 1.22 and 1.03, respectively.

Sales per square foot

Exhibit 4 shows sales per square foot by various categories. The median amount for all properties was $190, a decrease from the $226 figure reported for 1983. This relates closely to the decline of over $2 in average check for all properties; both are a result of the composition of new menu themes for all restaurants rather than a decline in sales or prices.

Restaurants not serving alcoholic beverages had the highest sales per square foot of $234, and also had the highest median average seat turnover of 8.26 (Exhibit 3). These two facts combined may be misleading, because those restaurants not serving alcoholic beverages had the lowest median average check of $4.09 (Exhibit 2).

Older operations in the past three reports tended to have higher sales per square foot than the newer properties. Overall, restaurants with sales over $2 million had the highest sales per square foot for 1984.

Earnings

Another new entry to this year's study is Exhibit 5, which displays the food and beverage earnings ratio. The figures presented are ratios of earnings to total sales. Again, total U.S. figures are given for comparative purposes.

California restaurants generally had a much higher median earnings ratio when compared to the nation as a whole, 8.2 compared with 4.4. Of the breakdowns shown, those that owned both their land and building had the lowest ratio of 4.3.

Restaurants in California generally reported a higher earnings ratio when compared to the total U.S., except those California properties that owned their land and building.

Exhibit 4
Sales Per Square Foot*

All Restaurants Reporting	$190
Age:	
Under 5 Years	$190
5 to 10 Years	177
Over 10 Years	218
Type:	
Full Menu—Tableservice	$148
Limited Menu—No Tableservice	234
All Others	251
Sales Volume:	
Under $1 Million	$136
$1 Million–$2 Million	183
Over $2 Million	252
Beverages Served:	
Full Liquor Service	$169
Wine and/or Beer Only	103
No Alcoholic Beverages	234
Location:	
Urban	$165
Suburban	218
Rural	196

*All figures are medians.

Exhibit 5
Food and Beverage Earnings Ratio

	Lower Quartile	Median	Upper Quartile
All Calif. Restaurants	2.2	8.2	14.0
Total U.S.	(0.3)	4.4	9.9
Own Land & Building	**	4.3	**
Lease Land & Building	2.7	9.4	15.3
Lease Land & Own Building	(4.2)	7.5	13.8
Restaurant Occupies:			
Separate or Detached Building	2.8	8.8	14.1
Attached Building	(0.1)	7.5	15.4
Type of Restaurant			
Full Menu—Tableservice	1.6	7.4	12.2
Limited Menu—No Tableservice	2.3	6.6	12.7
All Others	4.7	15.7	24.3

**Insufficient number of restaurants reporting figures.

Employee data

Exhibit 6 illustrates median number of employees and full-time equivalent (FTE) employees by various breakdowns. Sales and payroll per FTE are also presented.

The median number of employees for all California restaurants for 1984 was 46, the same amount for 1983. However, FTE employees generally fell over one person per property in 1984, to 36 from 37.3.

California restaurants tended to have approximately six more FTE than the entire U.S.; their median sales per FTE was $35,968, considerably higher compared with the U.S. figure of $28,214.

Properties located in California suburbs had the highest sales per FTE and also the lowest payroll per FTE. These two factors produced the highest median index of productivity of 4.07. The index is computed by dividing total sales by total payroll.

Exhibit 6
Employee Data*

	Total U.S.†	Total Calif.	Competition			Location**		Sales Volume		
			Mild	Average	Intense	Urban	Suburban	Under $1 Million	$1 Million–$2 Million	Over $2 Million
Number of Employees Per Restaurant										
Full-Time	12	17	20	18	14	18	11	7	19	60
Part-Time (20 to 35 Hours)	12	16	19	16	16	18	11	9	19	26
Part-Time (Less Than 20 Hours)	10	9	10	9	10	9	9	6	10	14
Total	37	46	56	46	48	48	45	24	48	84
Full-Time Equivalent Employees										
Total	29.5	36.0	44.9	35.3	36.0	36.5	33.0	19.8	38.6	72.0
Per 100 Restaurant Seats	16.5	20.6	15.5	22.6	21.8	19.0	22.7	18.6	18.5	26.6
Per 100 Average Daily Covers	10.6	11.0	12.0	10.6	13.3	11.0	10.6	11.2	10.6	13.9
Sales Per Full-Time Equivalent Employee	$28,214	$35,968	$33,797	$34,548	$37,508	$35,120	$38,825	$34,325	$35,163	$37,908
Payroll Per Full-Time Equivalent Employee	$ 9,436	$10,511	$11,312	$10,526	$10,260	$10,670	$ 9,812	$11,467	$10,632	$10,856
Index of Productivity	3.41	3.49	3.32	3.21	3.68	3.19	4.07	3.76	3.30	3.61

*Based on those providing detail. All figures are medians and do not necessarily add to totals shown.
**Insufficient number of restaurants reporting data for rural location.
†Based on figures from the 1985 National Restaurant Study. Figures represent total for Food-Only and Food & Beverage Restaurants.

Cost of sales

An analysis of prime cost and its components (cost of food and beverage sales and payroll expenditures) is presented in Exhibit 7. The prime cost for the California sample in 1984 was 60.8 cents, a decrease of 4 cents from the previous year. Limited menu/no tableservice properties and restaurants with a Mexican menu theme had the lowest prime cost of 55.6 and 55.8 cents, respectively. Restaurants serving American cuisine tended to have the highest prime cost with a median amount of 66 cents.

Sales volume had a small effect on prime cost with fluctuation, at the most, only 2.3 cents between any two volumes.

Occupation costs

Exhibit 8 details the amount per seat of occupational costs, interest and depreciation by type of restaurant, location and sales volume. The median rent figure for all California restaurants for 1984 was $412, $176 more than the total U.S. sample of restaurants.

Limited menu/no tableservice establishments generally had the highest median amounts for all categories listed; rural restaurants typically had the lowest median amounts, except for property insurance which was the highest with $43.

Exhibit 7
Cost Per Dollar of Sales

	Food*	Beverages*	Total Cost of Goods Sold	Total Payroll	Prime Cost
All Calif. Restaurants	34.5¢	20.7¢	31.9¢	28.7¢	60.8¢
Age:					
Under 5 Years	29.9¢	19.4¢	26.5¢	32.3¢	58.7¢
5 to 10 Years	35.5	19.2	33.7	27.0	59.2
Over 10 Years	34.9	22.2	32.2	29.0	62.1
Type:					
Full Menu—Tableservice	33.9¢	20.4¢	31.2¢	31.0¢	62.4¢
Limited Menu—No Tableservice	34.5	29.8	34.3	22.4	55.6
All Others	35.4	25.6	34.4	27.3	61.5
Sales Volume:					
Under $1 Million	33.4¢	21.3¢	31.5¢	26.6¢	61.3¢
$1 Million–$2 Million	33.9	20.6	31.2	30.7	62.0
Over $2 Million	38.8	20.7	33.7	27.1	59.7
Beverages Served:					
Full Liquor Service	32.9¢	20.0¢	29.4¢	31.1¢	60.5¢
Wine and/or Beer Only	41.1	24.5	40.2	24.9	63.6
No Alcoholic Beverages	34.0	N/A	34.0	24.1	56.8
Menu Theme:					
Steak/Seafood	42.4¢	21.5¢	37.9¢	25.3¢	63.3¢
Continental	33.7	22.8	30.8	34.4	64.8
American	35.2	25.6	33.6	32.7	66.0
Italian/Pizza	30.1	25.4	29.6	32.4	60.7
Mexican	28.1	18.9	24.4	31.7	55.8
Location:					
Urban	32.9¢	19.4¢	27.1¢	31.4¢	59.5¢
Suburban	38.3	22.6	35.8	24.7	62.1
Rural	**	**	**	**	**

*All figures are medians and do not necessarily add to totals shown. Ratios based on individual department sales.
**Insufficient number of restaurants reporting data.
N/A—Not applicable.

Exhibit 8
Food and Beverage
Occupancy Costs, Interest and Depreciation—Amount Per Seat*

			Type of Restaurant			Location			Sales Volume		
	Total U.S.†	Total Calif	Full Menu Tableservice	Limited Menu No Tableservice	All Others	Urban	Suburban	Rural	Under $1 Million	$1 Million–$2 Million	Over $2 Million
Rent	$236	$412	$401	$689	$324	$400	$445	$178	$412	$376	$559
Property Taxes	30	28	22	56	41	25	41	11	29	36	17
Other Taxes	45	16	15	59	11	20	13	5	7	15	52
Property Insurance	37	22	22	51	16	20	25	43	21	20	46
Interest	59	76	76	158	67	123	75	25	76	57	132
Depreciation	131	230	228	357	180	245	219	137	223	264	181

*All amounts are medians.
†Based on figures from the 1985 National Restaurant Study. Figures represent total for Food-Only and Food & Beverage Restaurants.

Special analysis

Presented in this section of the study are amounts per seat and ratios to total sales of both income before occupational costs and restaurant profit by multiple categories. This analysis provides the reader with a focused look at the operating results of more narrow segments of the California restaurant industry. This year, the categories used for the cross tabulations are sales volume versus location and sales volume versus menu theme, and are shown in Exhibits 9 through 12.

To use this cross tabulation, locate both parameters of interest on the appropriate table (one row and one column) and then find the intersection. The upper portion of each box presents the amount per seat, while the lower portion shows the percentage of total sales. This analysis was designed to afford readers a closer identification of operating results of restaurants with characteristics similar to their own facilities. Totals for each category analyzed are also presented for comparison purposes. The intersections of the totals for each category reflect the results of the total sample.

Exhibit 9
Cross Tabulation of Income Before Occupation Costs—Amount Per Seat and Ratio to Total Sales—By Sales Volume and Location*

Amount Per Seat / Ratio to Total Sales		Location			
		Urban	Suburban	Rural	Total
Sales Volume	Under $1 Million	$ 746 22.6%	$1,255 26.1%	** **	$1,228 23.5%
	$1 Million–$2 Million	$1,430 23.2%	$1,789 20.0%	** **	$1,557 21.7%
	Over $2 Million	$2,343 21.2%	$2,607 17.9%	** **	$2,367 19.5%
	Total	$1,685 22.5%	$1,789 23.0%	** **	$1,689 22.4%

*All amounts are medians.
**Insufficient response.

Exhibit 10
Cross Tabulation of Restaurant Profit—Amount Per Seat and Ratio to Total Sales—By Sales Volume and Location*

Amount Per Seat / Ratio to Total Sales		Location			
		Urban	Suburban	Rural	Total
Sales Volume	Under $1 Million	$290 7.9%	$ 912 13.9%	** **	$732 12.0%
	$1 Million–$2 Million	$683 13.0%	$1,017 10.0%	** **	$708 11.3%
	Over $2 Million	$592 4.1%	$ 639 14.5%	** **	$639 9.5%
	Total	$641 11.0%	$ 912 11.6%	** **	$691 11.0%

*All amounts are medians.
**Insufficient response.

Exhibit 11
**Cross Tabulation of Income Before Occupation Costs—
Amount Per Seat and Ratio to Total Sales—
By Sales Volume and Menu Theme***

	Amount Per Seat / Ratio to Total Sales	Menu Theme					Total
		Steak/ Seafood	Continental	American	Italian/ Pizza	Mexican	
Sales Volume	Under $1 Million	$1,228 / 24.8%	** / **	** / **	$ 913 / 25.4%	** / 22.0%	$1,228 / 23.5%
	$1 Million–$2 Million	$1,616 / 18.6%	** / **	$1,131 / 18.8%	$1,298 / 17.7%	$2,157 / 32.8%	$1,557 / 21.7%
	Over $2 Million	$1,617 / 16.5%	** / **	** / **	$1,775 / 16.7%	$3,980 / 29.5%	$2,367 / 19.5%
	Total	$1,616 / 18.1%	$646 / 18.8%	$1,131 / 18.8%	$1,647 / 18.9%	$2,421 / 28.5%	$1,689 / 22.4%

*All figures are medians.
**Insufficient response.

Exhibit 12
**Cross Tabulation of Restaurant Profit—
Amount Per Seat and Ratio to Total Sales—
By Sales Volume and Menu Theme***

	Amount Per Seat / Ratio to Total Sales	Menu Theme					Total
		Steak/ Seafood	Continental	American	Italian/ Pizza	Mexican	
Sales Volume	Under $1 Million	** / **	** / **	** / **	$482 / 9.6%	** / **	$732 / 12.0%
	$1 Million–$2 Million	$541 / 9.8%	** / **	$719 / 9.8%	$489 / 3.4%	$1,179 / 22.6%	$708 / 11.3%
	Over $2 Million	$389 / 5.4%	** / **	** / **	$592 / 3.6%	** / **	$639 / 9.5%
	Total	$522 / 9.4%	$340 / 8.2%	$630 / 9.4%	$489 / 4.5%	$1,188 / 20.5%	$691 / 11.0%

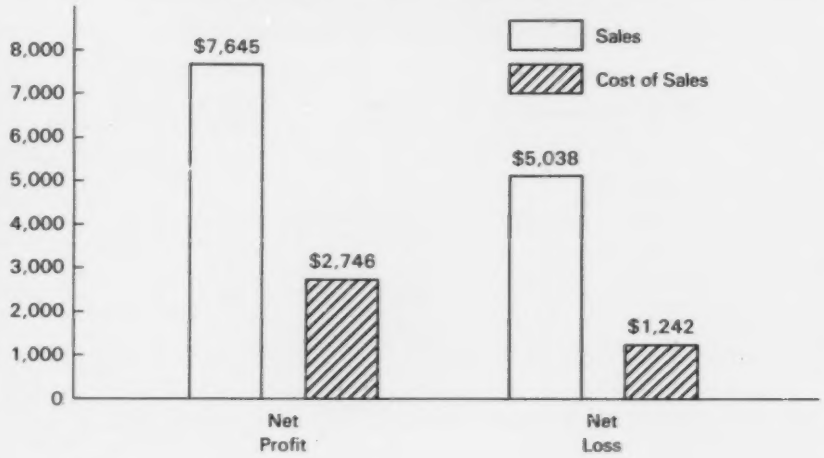
*All figures are medians.
**Insufficient response.

Sales versus cost of sales

Charts 2 through 7 graphically depict sales versus cost of sales by various criteria. These graphs should simplify interpretation of this data. In the following highlights, references to other exhibits may provide additional insight to the data presented.

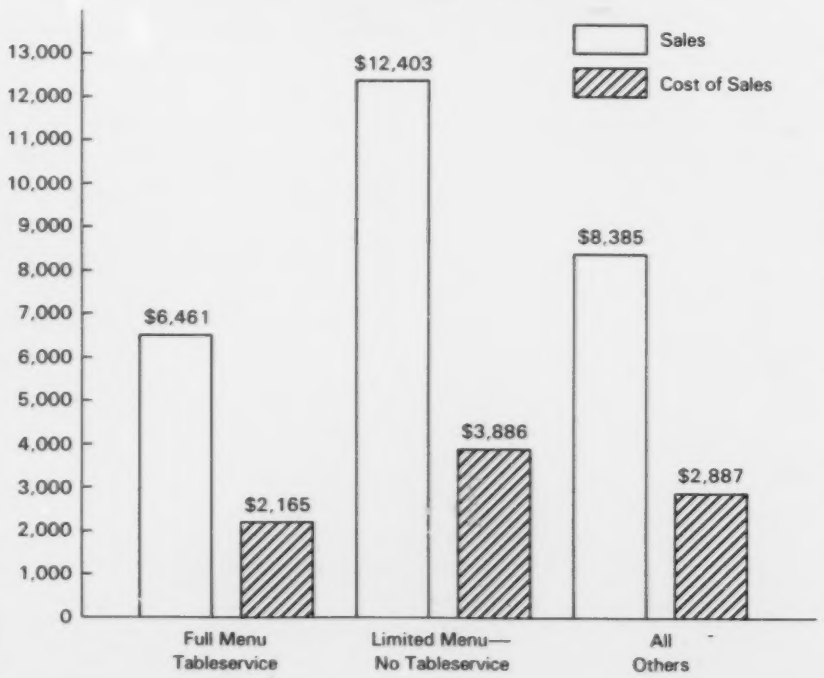
- Limited menu/no tableservice restaurants generally had the highest sales per seat (Chart 3) and also the highest median daily seat turnover of 9.76 (Exhibit 3). These two factors along with the lowest prime cost of 55.6 cents (Exhibit 7) contributed to this type of restaurant realizing the best median restaurant profit per seat of $2,271 or 17.1 percent of total sales (Exhibit 18).

Chart 2
Sales vs. Cost of Sales*
Amount Per Seat—Net Profit vs. Net Loss



*All amounts are medians.

Chart 3
Sales vs. Cost of Sales*
Amount Per Seat—Type of Restaurant

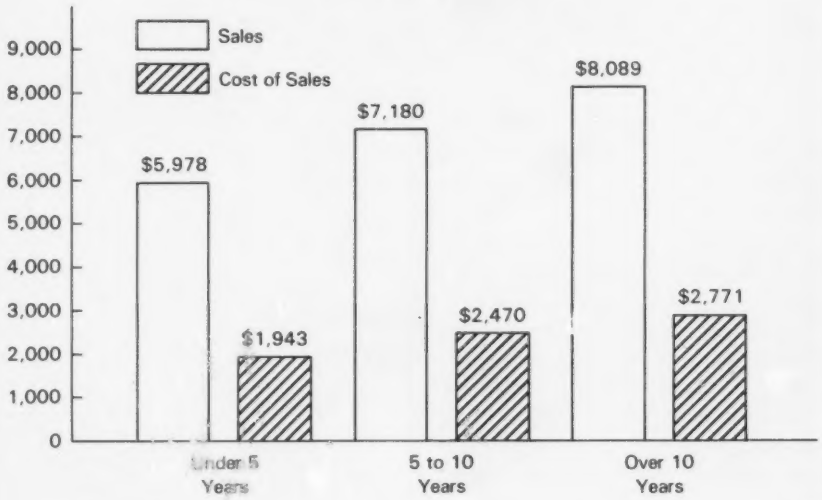


*All amounts are medians.

● According to Chart 4, the older a property, the higher sales amount per seat will be realized. This fact may be deceiving without further analysis. When other factors such as daily seat turnover (Exhibit 3), average daily check (Exhibit 2) and prime costs (Exhibit 7) are considered, there is only a 1.5 percent fluctuation in restaurant profits when age is the criteria (Exhibit 15). The younger restaurants, under five years, have the best ratio to total sales of 11.1 percent. The older establishments do, however, have the highest restaurant profit per seat of $732 (Exhibit 15).

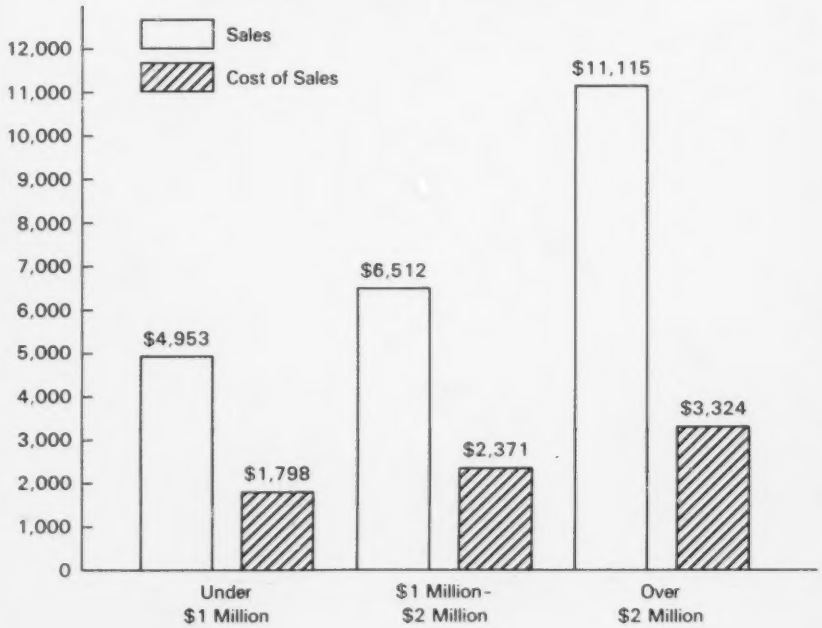
● Even though restaurants in the highest sales volume category have the highest sales amount per seat of $11,115 (Chart 5) and generally the lowest prime cost of 59.7 cents (Exhibit 7), they tended to have the least restaurant profit per seat, only $639. In addition, they reported the lowest ratio to total sales for restaurant profit of 7.9 percent (Exhibit 16). The reasons for restaurants with the most sales having the least profit per seat can be found in Exhibit 16. The majority of the controllable expenses along with the occupation costs were considerably greater for establishments with the higher sales per seat than for the other restaurants.

Chart 4
Sales vs. Cost of Sales*
Amount Per Seat—Age of Restaurant



*All amounts are medians.

Chart 5
Sales vs. Cost of Sales
Amount Per Seat—Sales Volume

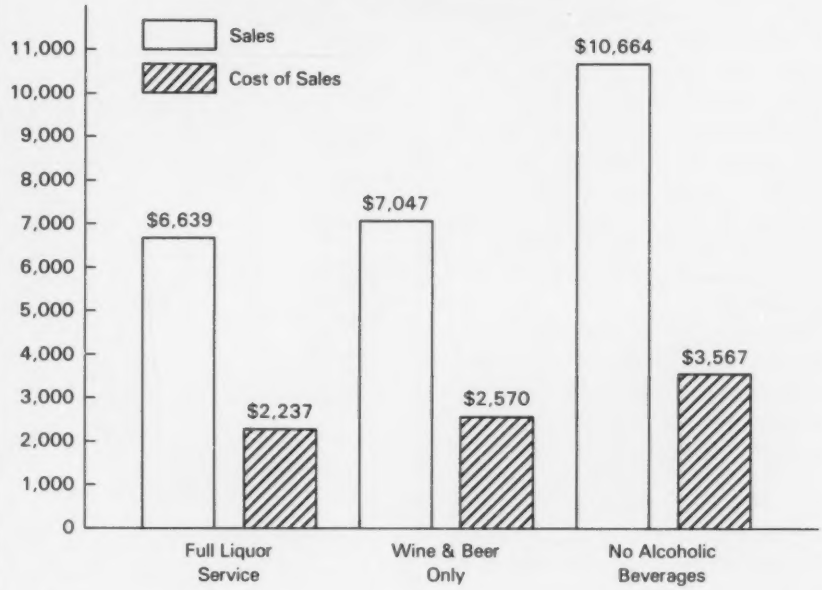


*All amounts are medians.

● Chart 6 presents sales versus cost of sales for restaurants serving alcoholic beverages and those that do not. The restaurants not serving alcohol tended to have the highest sales per seat of $10,664. When coupled with a low prime cost of 56.8 cents (Exhibit 7) and a high median seat turnover of 8.26 (Exhibit 3), these restaurants had the most profit per seat of $1,459, but realized the second best ratio to total sales for profit of 13.9 percent (Exhibit 17).

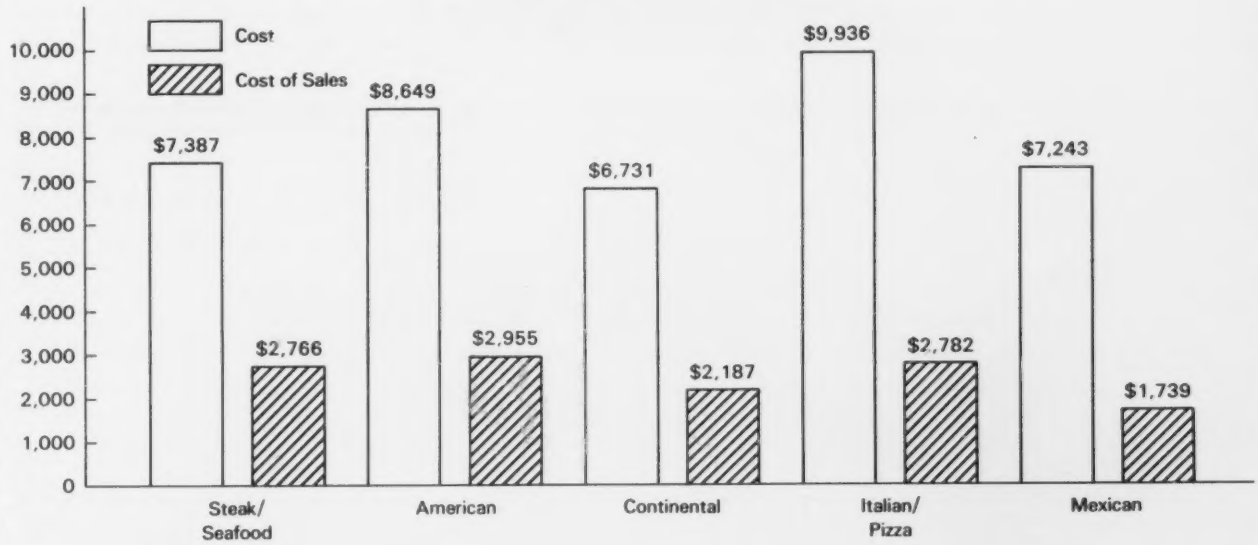
● Sales and cost of sales for various menu themes are shown in Chart 7. California restaurants having Mexican menu themes had a low sales amount per seat of $7,243, but these restaurants tended to keep costs down; their median prime cost was only 55.8 cents (Exhibit 7) and most of their other expenses and costs were generally lower than the other themes. This allowed Mexican restaurants to achieve a 20.5 percent median restaurant profit as a ratio to total sales, which is higher than the other restaurants (Exhibit 19). By comparison, American and steak/seafood themes both had the next highest median ratio to total sales of 9.4 percent.

Chart 6
Cost vs. Cost of Sales*
Amount Per Seat—Beverages Served



*All amounts are medians.

Chart 7
Cost vs. Cost of Sales*
Amount Per Seat—Menu Theme



*All amounts are medians.

Summary

The remaining exhibits in this report, Exhibits 13 to 20, present statements of income and expenses by type of restaurant, age of restaurant, location, net profit or net loss, sales volume and menu theme. Income statements are in the form of amount per seat and ratio to total sales. Median amounts are used in each exhibit, while Exhibits 19 and 20 (ratio to total sales and amount per seat for menu themes) also give lower and upper quartiles. By using upper and lower quartiles, in addition to the medians, ranges for each line item are presented. In most cases, the insufficient response recorded

Exhibit 13
Ratio to Total Sales and Amount Per Seat
All Restaurants*

	Ratio to Total Sales				Amount Per Seat			
	California			Total U.S. Median	California			Total U.S. Median
	Lower Quartile	Median	Upper Quartile		Lower Quartile	Median	Upper Quartile	
Sales								
Food	66.8%	75.4%	91.4%	81.8%	$2,806	$5,229	$18,770	$3,600
Beverage	15.0	26.7	35.2	25.0	972	1,707	2,827	923
Total Sales	100.0%	100.0%	100.0%	100.0%	$4,642	$7,312	$11,418	4,345
Cost of Sales								
Food	29.4%	34.7%	41.3%	37.9	$ 856	$1,967	$ 3,066	$1,404
Beverage	18.7	20.7	24.6	26.5	203	349	601	246
Total Cost of Sales	25.6	31.9	36.8	35.7	1,223	2,479	3,565	1,606
Total Gross Profit	62.8	66.6	73.6	64.3	3,324	4,901	7,838	2,736
Other Income	0.2	0.3	0.9	0.8	7	20	83	33
Total Income	63.2	66.9	73.9	64.9	3,331	4,907	8,080	2,826
Controllable Expenses								
Payroll	20.6	24.6	28.8	27.2	1,128	1,601	2,790	1,170
Employee Benefits	3.1	4.2	6.1	2.7	165	300	465	113
Direct Operating Expenses	3.3	5.6	7.6	5.4	148	366	625	229
Music & Entertainment	N	0.1	1.2	0.5	3	7	66	18
Advertising & Promotion	0.7	1.5	2.7	2.1	45	97	265	91
Utilities	2.3	2.9	3.9	3.5	150	212	314	161
Administrative & General	2.7	3.6	8.0	3.5	116	205	406	148
Repairs & Maintenance	0.9	1.6	2.4	1.8	40	119	186	82
Total Controllable Expenses	40.0	45.7	52.9	47.1	2,050	3,153	5,057	2,144
Income Before Occupation Costs	16.5	22.4	29.6	17.3	946	1,689	2,871	709
Occupation Costs								
Rent	4.7	5.7	8.6	5.2	221	412	739	236
Property Taxes	0.2	0.4	0.8	0.7	11	28	56	30
Other Taxes	0.1	0.3	1.4	1.1	6	16	59	45
Property Insurance	0.3	0.4	0.5	0.8	13	22	46	37
Income Before Interest & Depreciation	7.2	14.6	24.0	9.3	395	983	1,819	398
Interest	0.5	1.1	2.3	1.3	34	76	224	59
Depreciation	1.7	3.1	4.8	2.9	129	230	339	131
Restaurant Profit	3.3%	11.0%	19.3%	5.3%	$ 153	$ 691	$ 1,425	$ 209

N—Less than 0.1 percent.
*All figures are medians and do not necessarily add to totals shown. Food and beverage ratios are based on individual department sales.

in several of the breakdown categories was the result of participating restaurants not providing seat information rather than an insufficient sample size. Readers should be careful when analyzing the quartile values. For example, restaurant operations with very high controllable expenses and occupation costs probably will fall into the upper quartile of these costs. However, these same restaurant operations may fall into the lower quartile when income items are analyzed. As a result, each value reported for a particular item will accurately reflect the upper quartile, median, and lower quartile of the restaurants contributing information for that line item. For a further explanation of medians and quartiles, please refer to "Understanding Medians" on page 4.

Exhibit 14
Ratio to Total Sales and Amount Per Seat By Net Income Differential*

	Ratio to Total Sales		Amount Per Seat	
	Net Profit	Net Loss	Net Profit	Net Loss
Sales				
Food	75.9%	81.4%	$5,893	$3,666
Beverage	26.8	23.7	1,733	900
Total Sales	100.0%	100.0%	$7,645	$5,038
Cost of Sales				
Food	34.1%	34.9%	$2,292	$1,061
Beverage	20.8	22.4	407	207
Total Cost of Sales	31.3	34.4	2,746	1,242
Total Gross Profit	66.8	66.1	5,214	3,410
Other Income	0.3	0.2	21	9
Total Income	66.9	67.0	5,214	3,411
Controllable Expenses				
Payroll	23.0	29.0	1,595	1,418
Employee Benefits	4.1	3.8	290	168
Direct Operating Expenses	5.4	4.2	398	179
Music & Entertainment	0.4	0.1	14	7
Advertising & Promotion	1.2	1.4	103	60
Utilities	2.8	3.3	193	196
Administrative & General	3.5	6.1	214	127
Repairs & Maintenance	1.4	2.4	123	96
Total Controllable Expenses	43.6	59.6	3,208	2,613
Income Before Occupation Costs	24.7	11.4	1,788	613
Occupation Costs				
Rent	5.5	6.9	441	403
Property Taxes	0.4	0.5	30	28
Other Taxes	0.3	0.4	15	15
Property Insurance	0.4	0.5	25	19
Income Before Interest & Depreciation	16.7	2.8	1,043	223
Interest	1.1	1.4	81	36
Depreciation	2.8	3.2	230	223
Restaurant Profit	12.2%	(3.0)%	$866	$(64)

*All figures are medians and do not necessarily add to totals shown. Food and Beverage ratios are based on individual department sales.

Exhibit 15
Ratio to Total Sales and Amount Per Seat By Age of Restaurant*

	Ratio to Total Sales			Amount Per Seat		
	Under 5 Years	5 to 10 Years	Over 10 Years	Under 5 Years	5 to 10 Years	Over 10 Years
Sales						
Food	71.8%	73.4%	75.2%	$4,308	$4,885	$6,028
Beverage	39.0	28.3	25.6	1,594	1,841	1,748
Total Sales	100.0%	100.0%	100.0%	$5,978	$7,180	$8,089
Cost of Sales						
Food	29.8%	35.5%	34.9%	$1,261	$1,987	$2,122
Beverage	19.4	19.2	22.2	311	384	380
Total Cost of Sales	26.5	33.7	32.2	1,943	2,470	2,771
Total Gross Profit	73.1	65.9	66.6	4,506	4,590	5,442
Other Income	0.2	0.4	0.4	11	15	34
Total Income	73.3	66.3	66.9	4,520	4,590	5,446
Controllable Expenses						
Payroll	26.8	22.2	24.7	1,474	1,531	1,848
Employee Benefits	5.6	4.2	3.9	292	290	369
Direct Operating Expenses	4.7	6.7	4.9	219	418	366
Music & Entertainment	0.1	0.5	0.4	6	26	20
Advertising & Promotion	1.5	1.0	1.4	135	74	106
Utilities	3.3	3.0	2.9	191	215	215
Administrative & General	4.5	3.5	3.3	195	207	226
Repairs & Maintenance	1.0	2.0	2.0	42	131	136
Total Controllable Expenses	45.0	43.8	48.3	2,624	3,052	3,356
Income Before Occupation Costs	25.4	23.2	21.5	1,788	1,616	1,697
Occupation Costs						
Rent	5.6	6.8	5.5	348	499	401
Property Taxes	0.4	0.6	0.4	15	41	28
Other Taxes	0.4	0.1	0.4	20	8	30
Property Insurance	0.4	0.4	0.4	15	20	28
Income Before Interest & Depreciation	17.9	9.6	12.9	1,049	817	1,036
Interest	1.6	1.2	0.8	116	81	46
Depreciation	4.9	3.8	2.0	274	261	151
Restaurant Profit	11.1%	9.6%	10.2%	$ 683	$ 581	$ 732

*All figures are medians and do not necessarily add to totals shown. Food and Beverage ratios are based on individual department sales.

Exhibit 16
Ratio to Total Sales and Amount Per Seat By Sales Volume*

	Ratio to Total Sales			Amount Per Seat		
	Under $1 Million	$1 Million–$2 Million	Over $2 Million	Under $1 Million	$1 Million–$2 Million	Over $2 Million
Sales						
Food	92.0%	73.8%	74.1%	$4,452	$4,719	$ 6,307
Beverage	28.1	26.7	25.9	796	1,660	3,353
Total Sales	100.0%	100.0%	100.0%	$4,953	$6,512	$11,115
Cost of Sales						
Food	33.4%	33.9%	38.8%	$1,522	$1,908	$ 2,323
Beverage	21.3	20.6	20.7	177	334	629
Total Cost of Sales	31.5	31.2	33.7	1,798	2,371	3,324
Total Gross Profit	66.9	67.2	66.2	3,154	4,477	7,591
Other Income	0.3	0.3	0.7	7	12	56
Total Income	66.9	68.1	66.4	3,154	4,477	7,651
Controllable Expenses						
Payroll	25.0	24.8	22.7	1,464	1,447	2,531
Employee Benefits	4.0	4.2	3.7	163	301	515
Direct Operating Expenses	4.2	5.7	6.6	179	377	733
Music & Entertainment	0.1	0.1	0.7	7	7	46
Advertising & Promotion	1.8	1.1	1.8	111	85	137
Utilities	3.3	3.1	2.4	186	201	252
Administrative & General	3.5	3.5	7.6	127	195	483
Repairs & Maintenance	1.4	1.3	2.1	97	99	184
Total Controllable Expenses	44.5	45.7	47.0	2,546	2,700	4,845
Income Before Occupation Costs	23.5	21.7	19.5	1,227	1,557	2,367
Occupation Costs						
Rent	6.2	5.7	6.0	412	376	559
Property Taxes	0.6	0.5	0.2	29	36	17
Other Taxes	0.2	0.2	0.4	7	15	52
Property Insurance	0.4	0.4	0.4	21	20	46
Income Before Interest & Depreciation	16.4	15.0	9.3	786	1,030	912
Interest	2.0	1.1	1.2	76	57	132
Depreciation	3.8	3.2	2.1	223	264	181
Restaurant Profit	12.0%	11.3%	7.9%	$ 732	$ 707	$ 639

*All figures are medians and do not necessarily add to totals shown. Food and Beverage ratios are based on individual department sales.

Exhibit 17
Ratio to Total Sales and Amount Per Seat By Beverages Served*

	Ratio to Total Sales			Amount Per Seat		
	Full Liquor Service	Wine & Beer Only	No Alcoholic Beverages	Full Liquor Service	Wine & Beer Only	No Alcoholic Beverages
Sales						
Food	70.9%	90.4%	100.0%	$4,719	$5,108	$10,664
Beverage	29.1	9.7	N/A	1,778	677	N/A
Total Sales	100.0%	100.0%	100.0%	$6,639	$7,047	$10,664
Cost of Sales						
Food	32.9%	41.1%	34.1%	$1,756	$1,805	$ 3,567
Beverage	20.0	24.5	N/A	384	167	N/A
Total Cost of Sales	29.4	40.2	34.1	2,237	2,570	3,567
Total Gross Profit	69.8	61.7	65.5	4,547	4,477	7,444
Other Income	0.3	0.6	0.3	14	124	34
Total Income	70.8	62.7	65.5	4,550	4,477	7,478
Controllable Expenses						
Payroll	25.8	20.7	22.4	1,504	1,338	2,740
Employee Benefits	4.9	3.3	3.1	317	257	151
Direct Operating Expenses	5.4	6.4	4.1	392	268	230
Music & Entertainment	0.4	0.1	0.1	11	5	7
Advertising & Promotion	1.0	2.6	1.9	71	257	177
Utilities	3 2	2.3	3.3	206	150	312
Administrative & General	3.5	9.6	3.5	212	257	170
Repairs & Maintenance	1.9	1.2	1.4	115	74	148
Total Controllable Expenses	47.4	45.8	39.3	2,997	2,537	3,596
Income Before Occupation Costs	21.8	17.9	29.2	1,566	1,721	3,205
Occupation Costs						
Rent	6.0	5.1	5.6	409	236	603
Property Taxes	0.4	0.5	0.6	24	29	48
Other Taxes	0.3	0.2	0.3	18	13	21
Property Insurance	0.4	0.2	0.5	24	8	46
Income Before Interest & Depreciation	12.3	19.3	20.3	846	1,106	2,145
Interest	1.2	1.1	2.9	67	75	169
Depreciation	3.4	2.8	3.3	227	180	363
Restaurant Profit	9.6%	15.7%	13.9%	$ 502	$ 842	$1,459

*All figures are medians and do not necessarily add to totals shown. Food and Beverage ratios are based on individual department sales.
N/A—Not applicable

Exhibit 18
Ratio to Total Sales and Amount Per Seat By Type of Restaurant*

	Ratio to Total Sales			Amount Per Seat		
	Full Menu Tableservice	Limited Menu—No Tableservice	All Others	Full Menu Tableservice	Limited Menu—No Tableservice	All Others
Sales						
Food	72.7%	100.0%	84.5%	$4,531	$12,403	$8,294
Beverage	28.1	13.1	16.7	1,746	**	1,693
Total Sales	100.0%	100.0%	100.0%	$6,461	$12,403	$8,385
Cost of Sales						
Food	33.9%	34.5%	35.4%	$1,662	$3,886	$2,580
Beverage	20.4	29.8	25.6	366	**	425
Total Cost of Sales	31.2	34.3	34.4	2,165	3,886	2,887
Total Gross Profit	68.3	65.5	64.8	4,517	8,482	5,498
Other Income	0.3	0.7	0.4	14	53	44
Total Income	68.8	65.5	65.0	4,528	8,482	5,498
Controllable Expenses						
Payroll	25.6	21.8	22.7	1,504	2,740	1,514
Employee Benefits	4.4	0.7	4.9	301	22	348
Direct Operating Expenses	6.0	6.6	4.1	392	263	266
Music & Entertainment	0.3	0.1	0.3	9	7	24
Advertising & Promotion	1.3	2.3	3.0	74	190	245
Utilities	3.0	2.7	2.4	212	306	156
Administrative & General	3.8	1.6	1.9	203	238	152
Repairs & Maintenance	1.8	1.2	1.7	102	153	125
Total Controllable Expenses	47.0	38.5	40.5	2,990	3,770	2,731
Income Before Occupation Costs	20.4	29.3	24.0	1,429	3,439	1,693
Occupation Costs						
Rent	6.0	5.7	5.1	401	689	324
Property Taxes	0.4	0.5	0.5	22	56	41
Other Taxes	0.2	1.0	0.2	15	59	11
Property Insurance	0.4	0.5	0.2	22	51	16
Income Before Interest & Depreciation	12.2	21.2	18.6	784	2,433	1,249
Interest	1.2	4.1	1.1	76	158	67
Depreciation	3.6	2.7	2.4	228	357	180
Restaurant Profit	9.5%	17.1%	16.2%	$ 496	$2,271	$1,022

*All figures are medians and do not necessarily add to totals shown. Food and Beverage ratios are based on individual department sales.
**Insufficient number of restaurants reporting.

Exhibit 19
Ratio to Total Sales
By Menu Theme*

	Steak/Seafood			American		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales						
Food	73.4%	80.7%	88.9%	70.7%	81.2%	100.0%
Beverage	11.1	19.3	26.7	11.8	26.0	30.0
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales						
Food	40.9%	42.4%	44.2%	31.9%	35.2%	40.2%
Beverage	19.4	21.5	24.4	21.8	25.6	37.5
Total Cost of Sales	35.5	37.9	40.4	31.8	33.6	38.0
Total Gross Profit	59.7	62.4	64.5	64.6	66.3	67.8
Other Income	0.2	0.5	0.9	**	0.4	**
Total Income	60.4	62.8	65.4	64.9	66.7	68.4
Controllable Expenses						
Payroll	18.5	20.9	24.2	24.1	29.6	31.0
Employee Benefits	3.4	3.8	4.5	2.9	4.1	4.3
Direct Operating Expenses	4.1	6.8	7.5	4.8	5.9	6.8
Music & Entertainment	0.1	0.7	2.4	N	1.8	2.6
Advertising & Promotion	1.0	1.8	2.6	0.5	0.8	1.5
Utilities	2.1	2.4	3.1	2.7	3.3	4.0
Administrative & General	3.0	3.5	11.1	2.2	3.2	4.0
Repairs & Maintenance	1.7	2.2	2.5	1.4	2.1	2.5
Total Controllable Expenses	39.5	43.8	49.7	44.5	47.4	52.1
Income Before Occupation Costs	12.0	18.1	25.8	14.9	18.8	19.5
Occupation Costs						
Rent	3.0	6.6	11.7	3.6	5.3	6.5
Property Taxes	0.4	0.7	1.5	0.1	0.3	0.4
Other Taxes	0.1	0.1	0.4	N	N	N
Property Insurance	0.3	0.4	0.7	0.3	0.4	0.5
Income Before Interest & Depreciation	4.2	9.6	18.2	3.9	12.3	14.5
Interest	0.2	0.8	2.3	**	0.2	**
Depreciation	1.3	1.9	3.3	0.9	2.7	4.4
Restaurant Profit	2.4%	9.4%	18.2%	(1.5)%	9.4%	13.4%

*Food and beverage ratios based on individual department sales.
**Insufficient number of restaurants reporting date.
N—Less than 0.1 percent.

Continental			Italian/Pizza			Mexican		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
**	72.8%	**	79.6%	95.9%	100.0%	56.0%	64.8%	67.2%
**	27.2	**	11.4	20.2	29.0	32.8	35.2	44.0
**	100.0%	**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
**	33.7%	**	28.7%	30.1%	34.9%	27.1%	28.1%	31.1%
**	22.8	**	18.6	25.4	31.2	18.1	18.9	19.3
**	30.8	**	25.9	29.6	31.7	23.6	24.4	24.8
**	69.2	**	65.5	70.0	71.2	75.2	75.5	76.3
**	0.9	**	0.1	0.4	1.5	0.2	0.3	2.2
**	70.1	**	65.5	70.4	71.3	75.4	75.8	77.3
**	28.8	**	23.0	26.7	31.2	24.1	26.0	28.9
**	4.5	**	2.5	5.8	7.7	4.9	5.9	6.7
**	5.7	**	3.7	6.9	10.5	2.5	3.1	8.0
**	3.3	**	N	1.0	2.8	N	0.1	0.5
**	2.0	**	0.5	1.1	2.8	0.5	1.4	5.4
**	2.4	**	2.7	3.9	5.1	2.6	3.4	3.9
**	2.9	**	3.1	5.9	11.7	2.9	4.1	7.9
**	1.6	**	1.0	1.4	2.6	0.7	1.4	2.5
**	50.7	**	45.0	50.7	58.6	41.9	45.8	56.7
**	18.8	**	11.7	18.9	25.8	22.4	28.5	34.4
**	6.2	**	4.9	6.2	8.8	3.9	6.0	7.3
**	0.2	**	0.3	0.6	0.9	0.2	0.4	0.8
**	0.3	**	0.1	0.2	2.8	**	2.4	**
**	0.5	**	0.4	0.7	0.9	0.3	0.4	0.5
**	8.9	**	5.2	9.7	17.6	14.0	26.1	29.8
**	1.2	**	0.5	1.8	5.3	N	N	N
**	2.7	**	2.5	3.7	4.3	1.8	4.0	7.6
**	8.3%	**	2.2%	4.5%	12.7%	11.6%	20.5%	26.8%

Exhibit 20
Amount Per Seat
By Menu Theme*

	Steak/Seafood			American		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales						
Food	$4,315	$5,590	$ 8,679	**	$6,768	**
Beverage	1,142	1,651	2,374	**	1,746	**
Total Sales	$5,839	$7,387	$10,118	**	$8,649	**
Cost of Sales						
Food	$1,891	$2,460	$ 3,282	**	$2,216	**
Beverage	247	366	522	**	361	**
Total Cost of Sales	2,165	2,766	3,537	**	2,955	**
Total Gross Profit	3,657	4,652	6,551	**	5,587	**
Other Income	15	48	311	**	30	**
Total Income	3,657	4,652	6,665	**	5,612	**
Controllable Expenses						
Payroll	1,215	1,492	2,450	**	2,543	**
Employee Benefits	218	301	411	**	257	**
Direct Operating Expenses	265	419	573	**	468	**
Music & Entertainment	6	41	164	**	71	**
Advertising & Promotion	50	103	288	**	50	**
Utilities	153	212	258	**	284	**
Administrative & General	133	244	385	**	223	**
Repairs & Maintenance	99	145	202	**	137	**
Total Controllable Expenses	2,376	3,021	4,778	**	4,143	**
Income Before Occupation Costs	977	1,616	2,193	**	1,130	**
Occupation Costs						
Rent	296	485	840	**	474	**
Property Taxes	29	47	104	**	28	**
Other Taxes	5	8	36	**	68	**
Property Insurance	13	25	55	**	27	**
Income Before Interest & Depreciation	261	718	1,227	**	722	**
Interest	10	65	256	**	47	**
Depreciation	90	162	263	**	273	**
Restaurant Profit	$ 141	$ 522	$ 1,136	**	$ 630	**

*Food and beverage figures are based on individual department sales.
**Insufficient number of restaurants reporting data.

Continental			Italian/Pizza			Mexican		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
**	$4,762	**	$3,649	$6,901	$12,076	$2,817	$3,921	$ 5,869
**	1,968	**	912	1,250	3,349	1,450	2,660	8,436
**	$6,731	**	$4,299	$9,936	$12,790	$4,310	$7,243	$13,603
**	$1,627	**	$1,031	$2,269	$ 3,622	$ 749	$1,142	$ 1,690
**	436	**	171	283	836	268	515	1,526
**	2,187	**	1,227	2,782	3,863	1,030	1,739	3,059
**	4,543	**	2,376	6,506	8,399	3,280	5,503	10,094
**	59	**	4	44	219	8	14	687
**	4,602	**	2,376	6,521	8,468	3,289	5,510	10,948
**	1,020	**	1,306	2,307	3,032	1,103	1,598	3,942
**	211	**	111	595	517	281	429	759
**	328	**	208	523	1,098	119	166	835
**	110	**	3	34	93	1	2	35
**	188	**	35	62	178	85	218	780
**	116	**	144	288	431	170	213	437
**	195	**	112	215	844	147	211	974
**	96	**	46	131	184	30	55	327
**	3,944	**	1,826	4,350	6,427	1,852	2,652	7,639
**	646	**	600	1,646	2,703	1,393	2,421	3,871
**	703	**	242	411	895	149	269	439
**	9	**	10	28	82	7	17	34
**	26	**	2	13	127	**	**	**
**	35	**	13	53	89	13	19	25
**	475	**	213	860	1,763	557	1,647	2,160
**	67	**	55	199	588	**	**	**
**	164	**	122	239	507	130	186	285
**	$ 340	**	$ 53	$ 489	$ 1,212	$ 424	$1,188	$ 1,913

EXPLANATION OF TERMS

Median—Lower Quartile—Upper Quartile

In a column arranged in regular sequence from high to low, or vice versa, the median is the middle figure. This means, of course, in the case of operating results that half the restaurants represented had better results than the median and the other half poorer results.

The lower quartile is the dividing point between the lowest quarter and the upper three-quarters of the group. The upper quartile is the dividing point between the highest quarter and the lower three-quarters of the group. Thus, the lower quartile, median and upper quartile divide a series of figures into four equal parts. The results of the middle half of the restaurants fall between the lower and upper quartiles.

Determination of medians and quartiles is based on the information submitted for the line item only.

Food Sales

This category includes revenue derived from the sale of food in the restaurant. Food sales also include the sale of coffee, tea, milk and fruit juices, which usually are served as part of a meal. If no liquor, beer or wine is served, the soft drink sales also would be included in this category.

Beverage Sales

This category includes revenue from the sale of wine, spirits, liqueurs, beer, ale and soft drinks. These sales do not include coffee, tea, milk or fruit juices, which normally are served with meals and, therefore, are considered food.

Payroll

This category includes the regular salaries and wages, extra wages, overtime, vacation pay and any commission or bonus payments made to employees. The entire restaurant payroll generally is included in this category.

Direct Operating Expenses

This category includes expenses directly involved in providing service to the customer. Such things as uniforms, laundry, linen, china and supplies are examples of direct operating expenses.

Advertising and Sales Promotion

This category includes all costs incurred in the maintenance, creation or promotion of sales in the restaurant.

Administrative and General Expenses

This group of expenses is commonly considered "overhead" and includes items that are necessary to the operation of the business rather than those connected directly with the service and comfort of the customer. Examples include office supplies, telephone costs, general insurance and professional fees.

Occupation Costs

These expenses, together with depreciation charges, are the cost of readying the premises for operations. These are sometimes called "fixed charges" since they usually are determined by the financial setup of the restaurant and not by the trend of its business. Rent, taxes, property insurance and interest are occupation costs.

ANALYZE YOUR RESTAURANT

A periodic analysis of your restaurant's financial performance may provide some early warning signs of potential problems. Food costs or payroll may be inching up month by month. Some controllable expenses might be increasing while others are decreasing.

Day-to-day changes in your costs could appear small and might go unnoticed. However, examination on a regular basis could uncover undesirable trends and allow you to take corrective action and control situations that could lead to a crisis. That is the key to effective management.

The worksheet below is designed to help you analyze how well your restaurant is doing in comparison with the rest of the industry.

Follow these simple instructions for completing the worksheet:

1. Enter your financial data in the first column.

2. Compute the percentages for Column Two by dividing the amounts by total sales. (Note: Where food and beverage sales are broken down separately, compute percentage of food cost by dividing cost of food by food sales; for the beverage cost percentage, divide the cost of beverages by beverage sales.)

3. List the appropriate comparative percentages or ratios from this report in Column Three.

4. Compute the variances by dividing the difference between the figures in Column Two and Column Three by the figures in Column Three. Multiply the result by 100 to express the variance as a percentage.

5. If the variance is greater than plus or minus 10 percent, further analysis should be made to determine the reason for that variance.

Worksheet

Complete and Compare Statement of Income and Expenses	Your Figures (Dollars)	Your Figures (% of Sales)	*California Restaurant Industry* Report	Variance + or −
Sales				
Food	$	%	%	
Beverage	$	%	%	
Total Sales	$	%	%	
Cost of Sales				
Food	$	%	%	
Beverage	$	%	%	
Total Cost of Sales	$	%	%	
Total Gross Profit	$	%	%	
Other Income	$	%	%	
Total Income	$	%	%	
Controllable Expenses				
Payroll	$	%	%	
Employee Benefits	$	%	%	
Direct Operating Expenses	$	%	%	
Music & Entertainment	$	%	%	
Advertising & Promotion	$	%	%	
Utilities	$	%	%	
Administrative & General	$	%	%	
Repairs & Maintenance	$	%	%	
Total Controllable Expenses	$	%	%	
Income Before Occupation Costs	$	%	%	
Total Occupation Costs	$	%	%	
Income Before Depreciation	$	%	%	
Depreciation	$	%	%	
Restaurant Profit	$	%	%	

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